

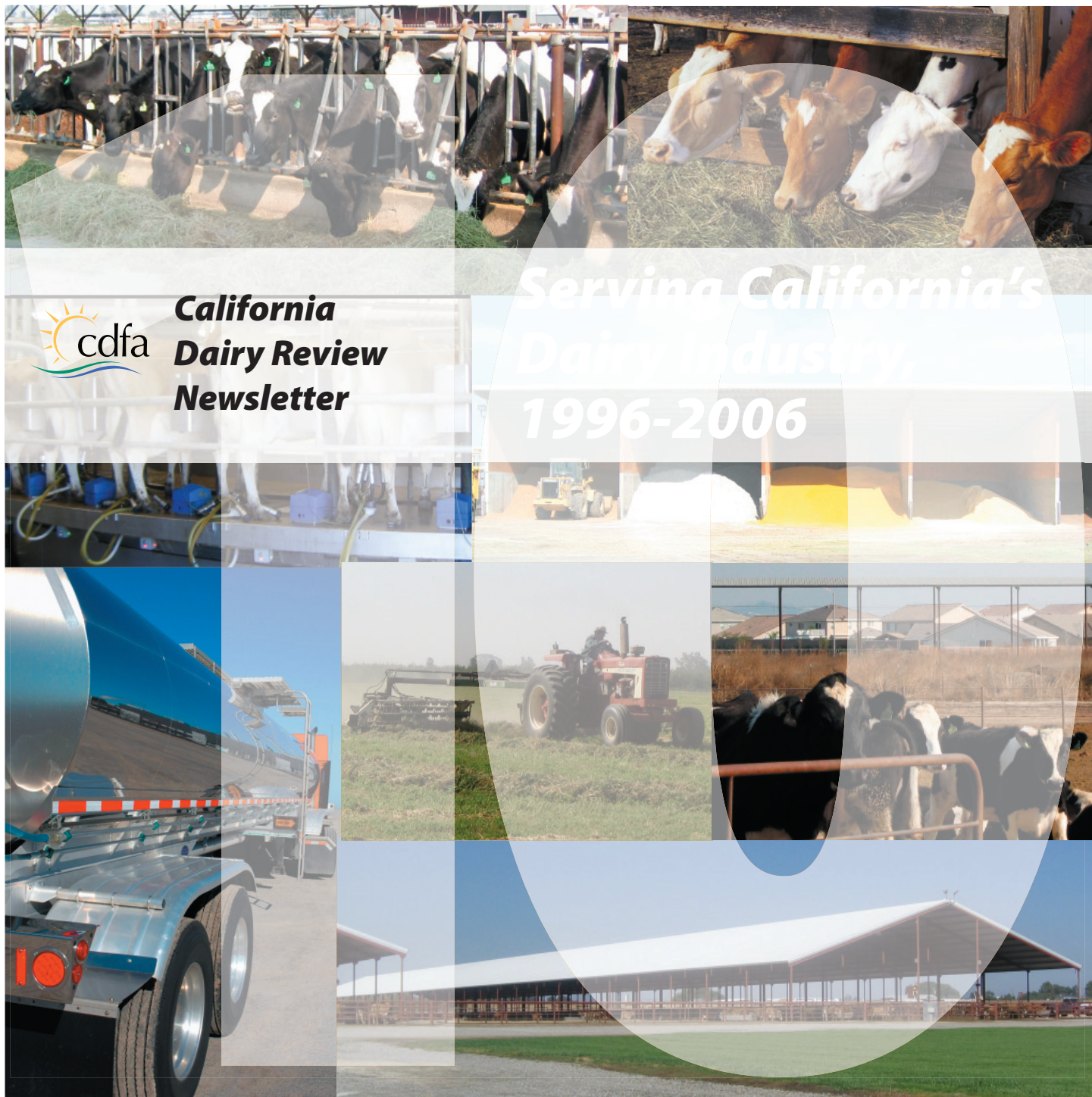
California

Dairy Review

A publication serving the California dairy industry for over 10 years

Volume 10 Issue 7

July 2006



California Dairy Producer News

Production, Prices, Quota Transfers, Alfalfa

May Milk Production

Milk production in California for May 2006 totaled 3.38 billion pounds, up 2.8 percent from May 2005. USDA's estimate for U.S. milk production for May 2006 in the 23 major dairy states is 14.7 billion pounds, up 2.8 percent from May 2005. Production per cow in the 23 major states averaged 1,782 pounds for May, 22 pounds more than May 2005. ☀

Minimum Class Prices

Statewide average hundredweight prices

| Class | May | June | July |
|-------|---------|---------|---------|
| 1 | \$12.47 | \$12.48 | \$12.50 |
| 2 | \$11.25 | \$10.86 | \$10.86 |
| 3 | \$11.08 | \$10.69 | \$10.69 |
| 4a | \$ 9.96 | N/A | N/A |
| 4b | \$10.48 | N/A | N/A |

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

| Regions | May | June | July |
|---------------------|---------|---------|---------|
| Phoenix, Arizona | \$13.32 | \$13.10 | N/A |
| Southern California | \$12.61 | \$12.62 | \$12.64 |
| Portland, Oregon | \$12.87 | \$12.65 | N/A |
| Northern California | \$12.33 | \$12.35 | \$12.37 |
| Boston (Northeast) | \$14.22 | \$14.00 | N/A |

Quota Transfer Summary

For May 2006, seven dairy producers transferred 2,695 pounds of SNF quota. May quota sales averaged \$500 per pound of SNF (without cows), average ratio of 2.43. For June 2006, seven dairy producers transferred 9,994 pounds of SNF quota. June quota sales averaged \$499 per pound of SNF (without cows), average ratio of 2.32. ☀

Alfalfa Update: June

Northern California: Supreme alfalfa was steady in light test with very light supplies, with some coming in from Nevada. Fair and Good alfalfa was steady with light demand and moderate supplies. Retail and Stable hay was steady with good demand and moderate supplies. Sacramento Valley producers are finishing up second cutting. Exporters showing interest in intermountain hay. Weather has been very favorable for hay production.

Southern California: Supreme and Premium alfalfa was not well tested with light supplies. Some hay coming in from Utah. Fair and Good alfalfa was steady with moderate demand and supplies. Retail and stable hay was steady with light to moderate demand. Exporters busy buying hay, mostly Sudan. ☀

Supreme Hay Prices

Statewide average prices per ton

| Area | 6/2 | 6/9 | 6/16 | 6/23 |
|---------------------------|-----------|-----------|-----------|-----------|
| Petaluma | N/A | N/A | \$195 | \$185 |
| North Valley ¹ | \$185 | \$173-192 | \$184-185 | \$165-185 |
| South Valley ² | \$180-195 | \$188 | \$177-195 | \$180-192 |
| Chino Valley | \$176 | N/A | \$177 | \$175-195 |

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

Alfalfa Hay Sales/Delivery

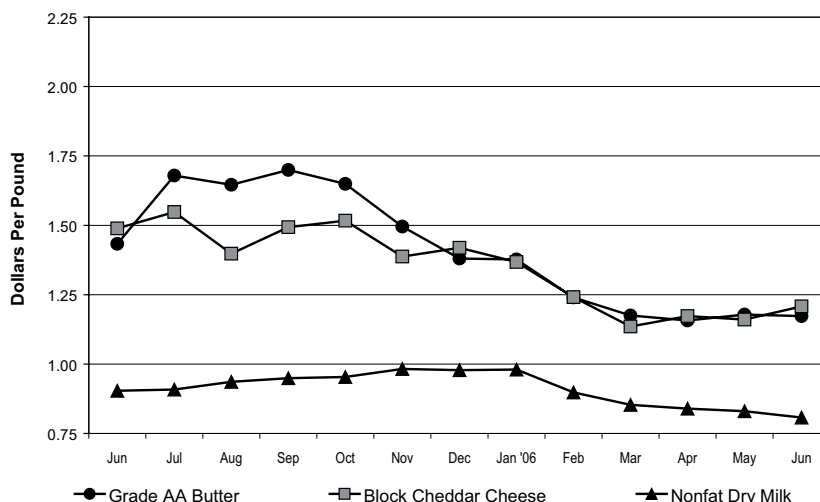
| | May | June |
|-----------------------------|---------|---------|
| Tons Sold ¹ | 180,247 | 295,527 |
| Tons Delivered ² | 66,674 | 130,750 |

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices



CWT Accepts Export Assistance Bids for Cheese, Milk Powder

Cooperatives Working Together (CWT) announced that it has accepted export assistance bids for the sale of cheese and whole milk powder.

The bids for cheese were accepted from Tillamook County Creamery Association of Tillamook, OR, for the export of 66 metric tons (145,200 pounds) of Cheddar cheese to South Korea and from Dairy Farmers of America of Kansas City, MO, for the export of 19.2 metric tons (42,240 pounds) of Cheddar cheese to El Salvador. Two bids were accepted from Land O'Lakes of Arden Hills, MN: one for the export of 80 metric tons (176,000 lbs.) of whole milk powder to Trinidad, and a second bid for the export of another 80 metric tons (176,000 lbs.) of whole milk powder to El Salvador.

These approved bids increase CWT's total year to date cheese exports to 2,695 metric tons (5.93 million lbs.), and its YTD whole milk powder exports are 1,764 metric tons (3.88 million lbs.). In addition, CWT's YTD butter exports are 5,232 metric tons (11.51 million pounds), its YTD exports of anhydrous milk fat are 1,165 metric tons (2.56 million lbs.).

Previous shipments facilitated by CWT's export assistance program have gone to Algeria, Barbados, Denmark, the Dominican Republic, Egypt, El Salvador, Germany, Guatemala, Honduras, Hong Kong, India, Indonesia, Israel, Japan, Jordan, Kuwait, Lebanon, Mexico, Morocco, the Netherlands, Nicaragua, Oman, Panama, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, Trinidad, Tunisia, Turkey, the United Arab Emirates, and Vietnam. 

New Antimicrobial Protein Could Fight Mastitis

New research shows there may be a way to give cows a built in defense against mastitis-causing pathogens.

An Agricultural Research Service-led team has combined specific DNA segments from two different sources to produce a novel antimicrobial protein. The resulting "fusion" antimicrobial protein works by degrading the cell walls of bacterial pathogens in a solution of whey extracted from cow's milk. Research has shown the fusion protein to be active against *Staphylococcus aureus* and three streptococcal mastitis pathogens.

Agriculturally, the technology provides a key step to developing dairy cows that have a natural, built-in defense against mastitis — a disease that costs U.S. dairy producers up to \$2 billion annually.

In the realm of infectious disease, one way to reduce microbial resistance that results from widespread antibiotic use is to come up with new ways to fight pathogens. The findings from this experimental study were published in the April 2006 issue of *Applied Environmental Microbiology* and presented at the American Society of Microbiology meeting in Orlando, Florida in May 2006.

While all milk contains several naturally occurring antimicrobial proteins, such as lysozyme and lactoferrin, the sale of milk containing the fusion protein would first require rigorous food safety testing and federal regulatory approval.

For more information, visit:


<http://www.ars.usda.gov/is/pr/2006/060524.htm>



California Dairy Review Publication Acknowledges 10th Year

This issue of the California Dairy Review newsletter marks the 10 year anniversary of serving the California dairy industry as an important information publication for California and U.S. dairy producers. Since the inception of the newsletter in 1996 at the request of the California dairy industry, this publication has expanded its news and information to include: industry news and updates; Department updates on hearings, notices, and decisions; statistics

on production, prices, alfalfa, the cost of producing milk, mailbox milk pricing; animal health and safety issues; livestock identification program updates; environmental issue updates; U.S. milk production; and countless other issues as necessary.

As we continue to try to serve the California dairy industry needs, please let us know if you have any suggestions for future articles, issues that need expanded coverage, or other suggestions. 

Establishment of Increased Inspection Fees

Sections 20760 and 21291 of the California Food and Agricultural Code authorize the Secretary to increase fees up to 20 percent of the statutory fee. A fee increase may occur if costs to administer and to enforce the statutes require a greater fee. The action of the Secretary to increase fees is initiated by a recommendation by the Livestock Identification Advisory Board.

On April 20, 2006, the Livestock Identification Advisory Board met and passed a motion by the required two-thirds vote to recommend that Secretary A.G. Kawamura increase some of the fees associated with the Bureau of Livestock Identification. Secretary Kawamura has approved the following fee increases:

Effective July 1, 2006

\$1.44 – Hide

\$1.05 – Ranch Inspection; change of ownership

\$1.05 – Out of Modified Point of Origin pasture-to-pasture; no change of ownership (suckling calves with mothers are not charged a fee)

\$1.05 – Out of State; change of ownership (all cattle charged a fee)

\$1.05 – Out of State pasture-to-pasture; no change of ownership (suckling calves with mothers are not charged a fee)


\$1.05 – Destination Inspection

- Livestock markets
- Licensed Slaughterhouse
- Ranch Dispersal or Production Sale
- Fair or Exposition Sale
- Private Sales Contract

\$0.54 – Registered Feedlots


\$0.36 – Salesyard and Out of State cattle shipped directly to a Registered Feedlot

To address its on-going budget deficit, the Bureau of Livestock Identification will continue to conduct a review of its current fee structure and an analysis of projected expenditures on a long-term basis. The Bureau will meet with Department staff, beef and dairy representatives and the Advisory Board to develop a consensus that defines an adequate fee structure for the continuation of the Bureau.

For more information, please contact Greg Lawley at (916) 654-0889. 

Market, News, Weather (DTN) On Dairy Marketing Website

DTN Dairy is a source of comprehensive dairy-specific market, weather, and news information. This site provides a complete package of market analysis and commentary, real-time quotes, milk production information, highly localized weather and industry news 24 hours a day. DTN also includes exclusive updates from the Chicago Mercantile Exchange dairy traders daily. It also provides easy access to local and regional pricing information for distillers grain, soybean meal and cottonseed, as well as a complete database of current bid prices in relation to the producer's operation. The site also provides advice and analysis on current and historic fuel and fertilizer data.

The Dairy Marketing Branch website at www.cdffa.ca.gov/dairy has a link featuring "Markets, Weather, and News" where you can access the DTN information site. Simply go to the left side of the branch website home page and click on "Markets, Weather, and News (DTN)." 

Cows Played Role in New Cancer Vaccine

You've probably heard the news reports about FDA's approval of the first vaccine against cervical cancer. But did you know that cows get a very similar virus called bovine papillomavirus (BPV) as opposed to human papillomavirus (HPV). And it's the cows' warts that were key in producing this new vaccine.

The research project began with an effort to develop a blood test to detect infection by a class of viruses known as HPV, which cause warts as well as cervical cancer. To do so, researchers needed large amounts of papillomavirus – and while there are plenty of warts in this world, finding people willing to collect and analyze them is a different story. As a starting point the team turned to BPV in cows. In the world of warts, cows offer a particularly plentiful lode of papillomavirus because they are particularly rich in viral particles.


The researchers used the BPV to learn how to grow human HPV in the laboratory. Soon after that they discovered that the three-dimensional outer shell of the virus was crucial to creating an immune response that could prevent infection. The scientists then turned their attention to determining how to make a safe, non-infectious form of the viral coating, and that led them to figure out how to make harmless virus-like particles (VLPs) to trigger the same immune response.

To learn more, go to: <http://www.sciencedaily.com/releases/2006/06/060608225514.htm> 

Milk-Vending Sales Up Last Year

Milk sales from vending machines grew 10 percent last year, according to a new Milk Processor Education Program (MilkPEP) survey cited in the May 15 Dairy Business View. The number of vendors offering milk also increased, up nearly 6 percent versus 2004.

The annual survey, which began last year, also shows that nearly 40 percent of vending operators offer milk. Another 8 percent say they may add it to their product line-up.


"What we're seeing is that milk vending is growing, but that processors still need to educate and work with vending businesses to make the compelling case for milk," said Julie Buric, senior director of promotions at the International Dairy Foods Association. 

Researchers Turn Cow Manure Into Fuel

Researchers at the Vehicle Research Institute at Western Washington University in Bellingham, Washington, have developed a way to make cow manure power cars.

To begin, the researchers pump manure into a storage tank. After 21 days, they siphon floating methane out of the tank using garden hoses. The methane is then purified to remove other gases before it is pumped into a car.

The manure from one cow creates enough methane to power a natural-gas car for 15 miles. The manure from 20 cows could power a car for 300 miles.

The technology could mean cheaper fuel for many drivers. Currently, the natural gas created from the manure is one-fifth the price of regular gasoline at the pump, said Eric Leonhardt, an engineering technology professor and director of the Vehicle Research Institute. 

National Dairy Situation and Outlook – USDA Estimates

Milk Production and Cow Numbers

Monthly: Compared to 2004, USDA estimates that overall milk production across the U.S. was up 2.4% in May, led by New Mexico's 16.1% growth in milk production (on 30,000 more cows and 100 more pounds per cow). California's estimated production was up 2.5% (on 30,000 more cows and 100 more pounds per cow). Among the western states, Arizona was up 9.1%; New Mexico up 16.1%; and Washington was down -2.4. Two of the top 10 states reported a production decrease.

Quarterly: For the first quarter of 2006 compared to the fourth quarter of 2005, U.S. milk cow numbers increased to 9.093 million, production per cow was up 3.8%; the net effect was a 4.1% increase in milk production to 45.5 billion pounds. USDA projects that for the second quarter of 2006 compared to the first quarter of 2006, U.S. milk cow numbers will increase 35,000 cows to 9.130 million cows, production per cow will up 125 pounds per cow; the net effect would be an increase in milk production to 46.8 billion pounds.

Milk Prices

Comparing the first quarter of 2006 to the fourth quarter of 2005, U.S. average milk prices were down to \$13.53/cwt. USDA projects that for the second quarter of 2006, U.S. average all-milk prices will be \$11.80-12.00/cwt.; Class 4b prices will be \$10.80-11.00/cwt; and Class 4a prices will be \$10.20-10.50/cwt.

Utility Cow Prices

Comparing the first quarter of 2006 to the fourth quarter of 2005, average U.S. utility cow prices were down \$0.75/cwt. to a national average of \$48.89/cwt. USDA projects that utility cow prices will average \$50-51 in the second quarter of 2006.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." 

'Atypical' Strain of Mad Cow Reported

Two U.S. cases have scientists pondering whether the disease can develop spontaneously.


Two cases of mad cow disease in Texas and Alabama seem to have resulted from a mysterious strain that may appear spontaneously in cattle, researchers say. Government officials are trying to play down differences between the two U.S. cases and the mad cow epidemic that led to the slaughter of thousands of cattle in Britain since the 1980s.

It is precisely these differences that are complicating efforts to understand the brain-wasting disorder, known medically as bovine spongiform encephalopathy, or BSE. "It's most important right now, till the science tells us otherwise, that we treat this as BSE regardless," said the Agriculture Department's chief veterinarian, John Clifford.

The Texas and Alabama cases — confirmed last year and this year, respectively — are drawing international attention. At a meeting in London last month, experts presented research on the U.S. cases and on similar ones in Europe. These cows appear to have had an "atypical" strain that scientists are only now starting to identify. Such cases have been described in about a dozen cows in France, Italy and other European countries, as well as in Japan.

In the two U.S. cases, researchers did not detect the telltale spongy lesions caused by prions, the misfolded proteins that deposit plaque on the brain and kill brain cells. Also, the prions in brain tissue samples from the Texas and Alabama cows seemed to be distributed differently from what would be expected to be found in cows with the classic form.


Laboratory studies on mice in France showed that both the classic and atypical strains could be spread from one animal to another. But scientists theorize the atypical strain might have infected cattle through an unusual way. Mad cow disease is not transmitted from cow to cow like the flu. It is thought to spread through feed, when cows eat the contaminated tissue of other cattle. That happens when crushed cattle remains are added to feed as a protein source. This practice ended in the U.S. in 1997.

Some scientists are raising the possibility that the atypical strain might happen spontaneously in cattle. The Texas and Alabama cows were older animals. No matter what the origins might be of an atypical strain, the government says, there is no reason to change federal testing or measures that safeguard animals and people from the disease. 

Feed Recalled Over BSE Violation

Livestock feed ingredients shipped to nine states may have been contaminated with cattle remains in violation of a 1997 ban to protect against mad cow disease, a manufacturer said Tuesday. H.J. Baker & Bro. Inc. said it was recalling three livestock feed ingredients, including two used to supplement feed given to dairy cows. A sample tested by the Food and Drug Administration was positive for cattle meat and bone meal, said Mark Hohnbaum, president of the Westport, Conn.-based company's feed products group.

Cattle tissue may have contaminated two feed ingredients given to dairy cows -- Pro-Lak and Pro-Amino II -- made by H.J. Baker between August 2005 and June. The third of the recalled ingredients, Pro-Pak with Porcine Meat and Bone, was mislabeled. It is used in poultry feed. The company announced the recall in the wake of ongoing FDA inspections of its Albertville, Ala. plant, Hohnbaum said. The inspections have found manufacturing and clerical issues, he added.

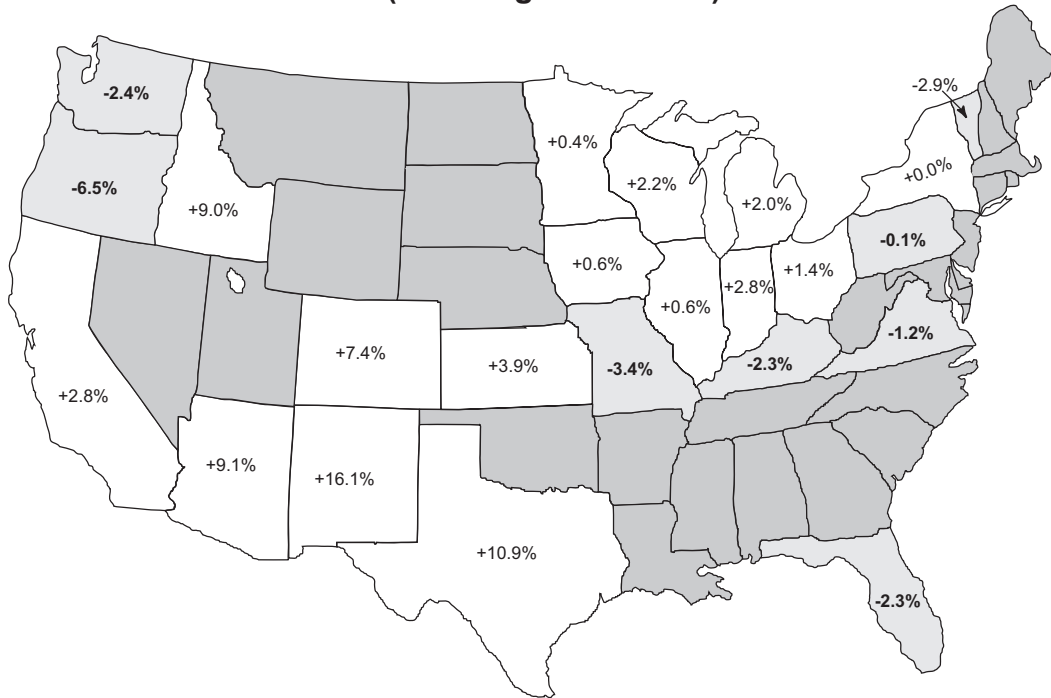
The company shipped the ingredients to feed manufacturers and dairy farms in the following states: Alabama, **California**, Florida, Georgia, Kentucky, Louisiana, Michigan, Mississippi and Tennessee. The company is notifying its customers of the voluntary recall. It does not know how much of the feed ingredients it sold, Hohnbaum said. 

MILC Payment Rates Update

Payment rates to date are as follows:

| Year | Month | Rates (\$/cwt) |
|------|----------|----------------|
| 2005 | October | \$0.0000 |
| 2005 | November | \$0.0000 |
| 2005 | December | \$0.0408 |
| 2006 | January | \$0.1054 |
| 2006 | February | \$0.1054 |
| 2006 | March | \$0.4080 |
| 2006 | April | \$0.8398 |
| 2006 | May | \$0.9248 |
| 2006 | June | \$0.9996 |

May Milk Production in the Top 23 States (% Change from 2005)



For the U.S. overall, comparing May 2006 to May 2005:

- U.S. Milk production during May was up 2.4%
- The number of cows on farms was 9.145 million head, up 100,000 head
- Production per cow averaged 1,757 pounds, 30 pounds more than May 2005
- Fifteen of the top twenty-three milk producing states showed an increase in milk production

As reported by USDA
and CDFA (for California)

Milk Production Cost Comparison Summary for California ^{1/} By Quarter, 2005-2006

| Quarter | North Coast | | North Valley | | South Valley | | Southern California | | Statewide Weighted Average | |
|----------------------------------|-------------|-------|--------------|-------|--------------|-------|---------------------|-------|----------------------------|-------|
| | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 |
| <i>Dollars per Hundredweight</i> | | | | | | | | | | |
| 1st Quarter | | | | | | | | | | |
| Total Costs | 13.69 | 15.35 | 11.86 | 12.32 | 11.54 | 11.72 | 12.04 | 11.76 | 11.78 | 12.01 |
| Total Costs & Allowances* | 15.24 | 16.93 | 13.35 | 13.82 | 13.10 | 13.24 | 13.62 | 13.07 | 13.31 | 13.52 |
| 2nd Quarter | | | | | | | | | | |
| Total Costs | | | | | | | | | | |
| Total Costs & Allowances* | | | | | | | | | | |
| 3rd Quarter | | | | | | | | | | |
| Total Costs | | | | | | | | | | |
| Total Costs & Allowances* | | | | | | | | | | |
| 4th Quarter | | | | | | | | | | |
| Total Costs | | | | | | | | | | |
| Total Costs & Allowances* | | | | | | | | | | |

* Includes an allowance for management and a return on investment

**Hundredweight
Pool Prices**

| Month | Quota | Overbase |
|-------------|---------|----------|
| December | \$15.74 | \$14.04 |
| January '05 | \$15.50 | \$13.80 |
| February | \$14.96 | \$13.26 |
| March | \$14.98 | \$13.28 |
| April | \$15.06 | \$13.36 |
| May | \$14.60 | \$12.90 |
| June | \$14.56 | \$12.86 |
| July | \$14.99 | \$13.29 |
| August | \$14.65 | \$12.95 |
| September | \$15.26 | \$13.56 |
| October | \$15.07 | \$13.37 |
| November | \$14.35 | \$12.65 |
| December | \$14.41 | \$12.71 |
| January '06 | \$13.91 | \$12.21 |
| February | \$12.75 | \$11.05 |
| March | \$12.19 | \$10.49 |
| April | \$11.90 | \$10.20 |
| May | \$11.90 | \$10.20 |

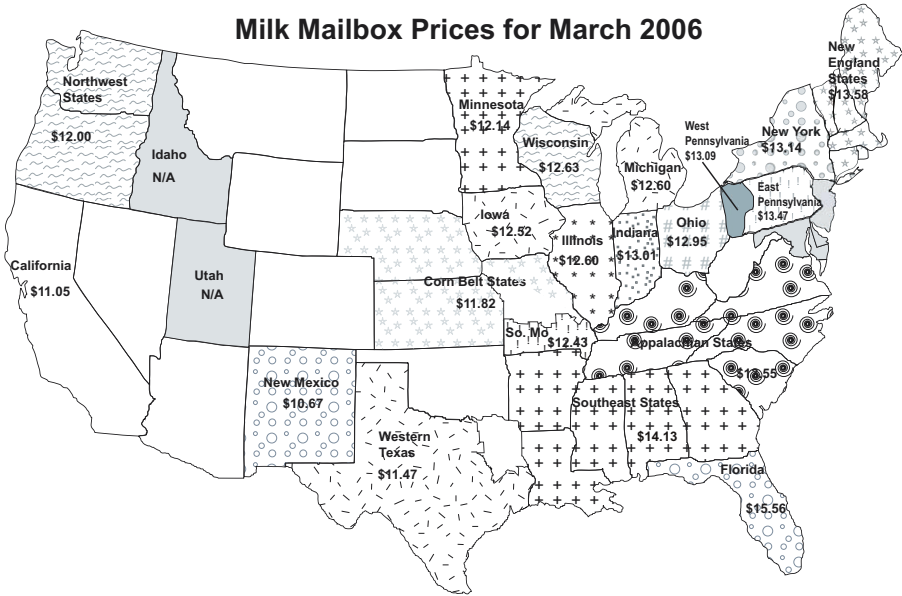
Milk Mailbox Prices

Milk Mailbox Prices in Dollars per Hundredweight

| | September | October | November | December | January | February | March |
|-------------------------|-----------|---------|----------|----------|---------|----------|---------|
| California ¹ | \$14.09 | \$14.10 | \$13.42 | \$13.49 | \$12.87 | \$11.52 | \$11.05 |
| USDA ² | \$15.16 | \$15.38 | \$15.09 | \$14.73 | \$14.43 | \$13.57 | \$12.64 |

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.



In March 2006, mailbox prices for selected reporting areas in Federal milk orders averaged \$12.64 per cwt., \$0.93 less than the figure for the previous month. The component tests of producer milk in March 2006 were: butterfat, 3.73%; protein, 3.06%; and other solids 5.73%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, ranging from \$15.56 in Florida to \$10.67 in New Mexico. In March 2005, the Federal milk order all-area average mailbox price was \$15.46, \$2.82 higher.



California Department of Food and Agriculture
A.G. Kawamura, Secretary

Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814

The California Department of Food and Agriculture Dairy Marketing Branch publishes the California Dairy Review monthly. Please direct any comments or subscription requests to Karen Dapper at (916) 341-5988 or send an email to dairy@cdfa.ca.gov

Milk Pricing Information:
Within California 1-800-503-3490
Outside California 1-916-442-MILK

Dairy Marketing Branch:
Phone (916) 341-5988; Fax (916) 341-6697
Website: www.cdfa.ca.gov/dairy
Email: dairy@cdfa.ca.gov

Presorted
First Class
U.S. Postage
PAID
Permit No. 81
Sacramento, CA